

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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We have performed the procedures enumerated below, which were agreed to by the State of Delaware Office of Auditor of Accounts, the State of Delaware Department of Education, and the Red Clay Consolidated School District management solely to assist the specified parties in evaluating Red Clay Consolidated School District's compliance with 29 Del. C. c. 75, the State of Delaware Budget and Accounting Manual, and the Department of Education's School Construction Technical Assistance Manual for the fiscal year ended June 30, 2005. The Red Clay Consolidated School District management is responsible for compliance with State Laws and procedures relative to the school construction projects administered by the district. This agreed-upon procedures engagement was conducted in accordance with *Government Auditing Standards (2003)*, issued by the Comptroller General of the United States of America and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by the *Government Auditing Standards (2003)*. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the Red Clay Consolidated School District complied with the prior fiscal year's recommendations, if applicable, by reviewing these recommendations and verifying through inquiry and observation that the recommendation has been implemented.

There were four recommendations (Finding #03-01, 04-01, 04-02 and 04-03) in the prior fiscal year. The current status of that recommendation is attached on pages 3 through 8.

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2. Determine that prior year and fiscal year 2005 construction project files and records, as indicated in the attached Schedule of Construction Projects Examined, were accurate and expenditures were made in accordance with the intent of the project scope mandated by the General Assembly, the Department of Education and the Red Clay Consolidated School District Board of Education by applying the procedures in the Construction Program Checklist prepared by the State of Delaware, Office of Auditor of Accounts.

Our procedures disclosed no instance of noncompliance that resulted in findings and recommendations.

3. Be alert to situations or transactions that could be indicative of fraud, illegal acts, and violations of provisions of contracts or grant agreements, and abuse or misuse of State funds.

Our procedures disclosed no situations or transactions that could be indicative of fraud, illegal acts, and violations of provisions of contract and abuse or misuse of state funds.

The results of our procedures were discussed at an Exit Conference with Marcin Michalski, Major Capital Improvement Project Program Administrator, Red Clay Consolidated School District.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the school district's compliance with 29 Del C. c. 75, the State of Delaware Budget and Accounting Manual, and the Department of Education's School Construction Technical Assistance Manual. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Enclosed is a schedule of Construction Projects Examined for the fiscal year ended June 30, 2005. This schedule is for informational purposes only.

This report is intended for the information and use of the School District management and Board Members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of the Budget, Department of Finance, and Office of Auditor of Accounts and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

McBride, Shopa & Co

Wilmington, Delaware
March 15, 2006

FINDING 03-01

We noted during our agreed-upon procedures that unencumbered monies for the Evan G. Shortlidge Academy construction project had not reverted to the State as directed by Title 29, Section 7515 of the Delaware Code, which states, "Any sum of money which has been appropriated or allocated to any school district by the State under any school construction bond authorization act which remains unexpended 1 year after pupil occupancy of any school building constructed under the school construction bond authorization act authorizing the construction shall revert to the State and shall be deposited to a special account to be applied against future school construction bond requirements." Normally, we would also disclose the date of occupancy, but, as discussed in Finding #04-02, the Certificate of Occupancy was not on file for the following project.

<u>School Project</u>	<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Unencumbered Fund Balance</u>
Shortlidge Academy	1994	6614	\$ 264

RECOMMENDATION

We recommend that school district management adopt a policy where unencumbered school construction funds in excess of one fiscal year after occupancy revert to the State as required by the Delaware Code, Title 29, Section 7515.

AUDITEE'S RESPONSE 06/30/04

The small outstanding balances remaining in some previous Major Capital Improvement Program accounts will be expended prior to June 30, 2005 under the terms and conditions of the Certificates of Necessity for those projects. Any unexpended balances remaining on July 1, 2005 will be returned to the State (60%) and to the District (40%).

CURRENT STATUS 06/30/04

We noted during our procedures that the appropriation related to the Shortlidge Academy has yet to revert to the state reversion fund.

CURRENT STATUS 06/30/05

We noted during our procedures that the unencumbered funding related to the Shortlidge Academy for funding year 1994 was expended as of June 30, 2005. Therefore, this finding is no longer applicable.

FINDING 04-01

The filing system was not arranged according to the State of Delaware requirements per the Delaware Code, Title 29, Section 12, Part D, which states "All construction files should be kept separate and apart from all general and/or special fund account and all projects within the given year's program should have a separate, well-identified file." The filing cabinet folders were in no specific order, with the paperwork being placed in the wrong compartments. Labeling of files was inadequate which made it necessary to take extra time to find the materials needed for our review. Finally, files were located in different areas, rather than in one place, which made it necessary to travel from location to location, to find what we needed.

This finding was consistent with all school construction projects in the Red Clay School District funded under the fiscal year 2003 Certificate of Necessity.

RECOMMENDATION

We recommend that the school district contact the State of Delaware and acquire a format that allows them to update their filing in accordance to the Delaware Code, Title 29, Section 12, Part D.

AUDITEE'S RESPONSE 06/30/04

All documentation requested was provided. The District will reorganize files so as to better facilitate future audits. Because the District Construction Office is not in the same building as the District Business Office due to space constraints, duplicate filing is required. We will make every attempt to be sure that all records for audit will be maintained in the District Construction Office, including copies of all financial documents (although processed in the Business Office). The District also maintains an electronic filing system which may be accessed on or off-site for audit purposes. We are working to make sure that all documentation will be included in this system as well. We have asked Mr. Nicholas Vacirca, Education Associate, School Plant Planning, Department of Education, to assist us as we reorganize our filing system in the District Construction Office so as to assure ease of audit and to comply with the filing requirements of the *School Construction Technical Assistance Manual*.

CURRENT STATUS 06/30/05

We noted during our procedures that the District's management has complied with our recommendation to update their construction files in accordance with the Delaware Code, Title 29, Section 12, Part D. Therefore, this finding is no longer applicable.

FINDING 04-02

We noted during our agreed upon procedures that the construction projects were complete but contained incomplete closeout documentation in their project files. The missing documents were:

- 1) Certificate of Substantial Completion
- 2) Certificate of Occupancy
- 3) General Contractor's releases of liens
- 4) Evidence of Liquidated damages, if applicable
- 5) Notification sent to the State Supervisor of School Plant Planning, Budget Director and State Insurance Commissioner at completion of construction/renovation, and upon occupancy
- 6) Architectural and Engineering drawings deposited with State Archives
- 7) Private sector architect's certification and approval given to general contractor upon payment

All of the above documents were missing from the following construction projects:

<u>Construction Project</u>	<u>Initial Funding Year</u>
Shortlidge Academy	1994
AI DuPont High	1999
Dickinson High	1999
McKean High	1999
Cab Calloway SOTA	1999
Conrad Middle	1999
Richardson Park ILC	1999
Telegraph Road ILC	1999
Forest Oak Elementary	1999
Highlands Elementary	1999
Lewis Elementary	1999
Linden Hill Elementary	1999
Marbrook Elementary	1999
Richey Elementary	1999
Skyline Middle	1999
Warner Elementary	1999

The Certificate of Substantial Completion and Occupancy is required by the State Budget and Accounting Manual, Section XII.D.3.p. The General Contractor's release of liens and Evidence of Liquidated damages is required by the State Budget and Accounting Manual, Section XII,D,3.w. The notification of the State Supervisor of School Plant Planning, Budget Director and State Insurance Commissioner at completion of construction or renovation and upon occupancy, is required by the School Construction Technical Assistance Manual, Section 2.0, Paragraph 5.2. The Architectural and Engineering drawings are required to be sent to the State Archives per the Delaware Code, Title 29, Section 507(b).

RECOMMENDATION

We recommend that the school district obtain the required documentation to close out the complete construction project files. Once these documents are obtained, we further recommend that the State Supervisor of School Plant Planning, Budget Director and the State Insurance Commissioner are notified that the renovations were completed.

AUDITEE'S RESPONSE 06/30/04

The fiscal years 1994, 1999 and 2000 major capital improvement program projects were completed on a construction management, multiple prime format. As such there were no general contractors or subcontractors. In many cases, trade permits, rather than building permits, were required. As such, certificates of occupancy were not required. We will review the prior programs and make every attempt to make sure that documentation required for close-out is complete. If documentation is unavailable, it will be so noted. With regard to the 2003 referendum package, all projects are being completed in the general contractor format and as such have been set up to be in complete compliance with close-out procedures as outlined above.

CURRENT STATUS 06/30/05

We noted during our procedures that the documentation required for close-out of the major capital improvement program projects for fiscal years 1994, 1999 and 2000 could not be located by the district's management. The school district no longer has the required documents. These documents were destroyed by the school personnel who were in charge of the projects, thinking they were no longer necessary to maintain. Therefore, since the projects are closed, we are removing the finding. It was explained to the district personnel that for all current and new projects, all required documentation must be maintained in the project files.

AUDITEE'S RESPONSE 06/30/05

The District's management has made an unsuccessful effort to locate the missing closeout documents for the fiscal years 1994, 1999 and 2000 major capital improvement program projects. However, we have adopted new policies to ensure that the closeout documents will be available for subsequent major capital improvement programs. With regard to the 2003 referendum package, all projects are being completed in the general contractor format and as such have been set up to be in complete compliance with close-out procedures as outlined above.

FINDING 04-03

We noted during our agreed-upon procedures that the following unencumbered monies for construction projects had not reverted to the State as directed by Delaware Code, Title 29, Section 7515, which states, "Any sum of money which has been appropriated or allocated to any school district by the State under any school construction bond authorization act which remains unexpended 1 year after pupil occupancy of any school building constructed under the school construction bond authorization act authorizing the construction shall revert to the State and shall be deposited to a special account to be applied against future school construction bond requirements."

<u>School Project</u>	<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Unencumbered Fund Balance</u>
McKean High	2000	0810	\$ 648
McKean High	2000	7010	432
Conrad Middle	2000	0812	4,616
Conrad Middle	2000	7012	3,077
Dickinson High	2000	0813	539
Dickinson High	2000	7013	359
Forest Oak Elementary	2000	0814	137
Forest Oak Elementary	2000	7014	91
Highlands Elementary	2000	0816	3,340
Highlands Elementary	2000	7016	2,226
Linden Hill Elementary	2000	0817	12
Linden Hill Elementary	2000	7017	8
Marbrook Elementary	2000	0818	3,813
Marbrook Elementary	2000	7018	2,509
Richardson Park ILC	2000	0820	2,798
Richardson Park ILC	2000	7020	1,865
Telegraph Road	2000	0824	9,828
Telegraph Road	2000	7024	6,552
Warner Elementary	2000	0825	417
Warner Elementary	2000	7025	278
Cab Calloway SOTA	2000	0826	6,433
Cab Calloway SOTA	2000	7026	4,289
AI DuPont HS	2000	0827	1,939
AI DuPont HS	2000	7027	699
Richey Elementary	2000	0828	17,588
Richey Elementary	2000	7028	<u>11,725</u>
			<u>\$86,218</u>

RECOMMENDATION

We recommend that school district management adopt a policy where unencumbered school construction funds in excess of one fiscal year after occupancy revert to the State as required by Delaware Code, Title 29, Section 7515.

AUDITEE'S RESPONSE 06/30/04

The small outstanding balances remaining in some previous Major Capital Improvement Program accounts will be expended prior to June 30, 2005 under the terms and conditions of the Certificates of Necessity for those projects. Any unexpended balances remaining on July 1, 2005 will be returned to the State (60%) and to the District (40%).

CURRENT STATUS 06/30/05

We noted during our procedures that the following major capital improvement projects had yet to revert the unencumbered fund balance as of June 30, 2005. The remaining project unencumbered funding was to revert to the State (60%) and to the District (40%). Therefore, this finding is still applicable as of June 30, 2005.

<u>School Project</u>	<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Unencumbered Fund Balance</u>
McKean High	2000	7010	\$ 432
Conrad Middle	2000	0812	252
Conrad Middle	2000	7012	168
Dickinson High	2000	7013	350
Forest Oak Elementary	2000	7014	91
Linden Hill Elementary	2000	7017	8
Telegraph Road	2000	0824	860
Telegraph Road	2000	7024	909
Cab Calloway SOTA	2000	0826	5,005
Cab Calloway SOTA	2000	7026	3,337
Richey Elementary	2000	0828	16,208
Richey Elementary	2000	7028	<u>10,805</u>
			<u>\$38,425</u>

AUDITEE'S RESPONSE 06/30/05

The remaining unencumbered balances will revert to the state reversion account as required by Delaware Code, Title 29, Section 7515. Any unexpended balances remaining on July 1, 2005 will be returned to the State (60%) and to the District (40%). This reversion will occur according to the appropriation end date, which is determined by the Delaware Financial Management System (DFMS).

RED CLAY CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF CONSTRUCTION PROJECTS EXAMINED
FISCAL YEAR ENDED JUNE 30, 2005

Project Name	Funding Year	Original Funding Amount	De-Authorization Funding	Total Project Funding Life to Date	Expended Current FY	Expended Prior FY	Total Project Expenditures Life to Date	Total Unspent Fund Balance June 30, 2005
Shortridge Academy Renovations	94	\$ 980,000		\$ 980,000	\$ 267	\$ 979,733	\$ 980,000	\$ -
	99	709,200	-	709,200	-	709,200	709,200	-
	00	709,100	-	709,100	-	709,100	709,100	-
	04	127,500	-	127,500	647	126,853	127,500	-
McKean HS Addition	99	1,709,200	-	1,709,200	-	1,709,200	1,709,200	-
	00	1,709,000	(648)	1,708,352	-	1,707,919	1,707,919	433
	04	715,700		715,700	96,104	619,596	715,700	-
	05	16,575,200		16,575,200	708,326		708,326	15,866,874
Conrad Middle Renovations	99	1,767,200	-	1,767,200	-	1,767,200	1,767,200	-
	00	1,767,000	-	1,767,000	7,271	1,759,308	1,766,579	421
	04	1,136,800	-	1,136,800	445,091	542,988	987,989	148,811
	05	14,018,600		14,018,600	246,142		246,142	13,772,458
Dickinson HS Renovations	99	938,000	-	938,000	-	938,000	938,000	-
	00	928,200	(539)	927,661	9	927,302	927,311	350
	04	784,100	-	784,100	26,204	687,519	713,723	70,377
	05	18,408,400		18,408,400	645,237	-	645,237	17,763,163
Forest Oak Elementary Renovations	99	779,300	-	779,300	-	779,300	779,300	-
	00	779,400	(137)	779,263	-	779,172	779,172	91
	04	4,954,200	(117,328)	4,836,872	3,353,767	374,700	3,728,467	1,108,405
Highlands Elementary Renovations	99	399,700	-	399,700	-	399,700	399,700	-
	00	399,700		399,700	5,566	394,134	399,700	-
	03	2,904,600	256,310	3,160,910	1,303,919	1,579,434	2,883,353	277,557
Linden Hill Elementary Renovations	99	106,200	-	106,200	-	106,200	106,200	-
	00	106,200	(12)	106,188	-	106,180	106,180	8
	04	4,512,000	-	4,512,000	2,610,441	661,922	3,272,363	1,239,637
Marbrook Elementary Renovations	99	762,300	-	762,300	-	762,300	762,300	-
	00	762,300	-	762,300	6,322	755,978	762,300	-
	04	136,000	-	136,000	718	135,282	136,000	-
Richardson Park & ILC Renovations	99	1,330,500	-	1,330,500	-	1,330,500	1,330,500	-
	00	1,330,400	-	1,330,400	4,863	1,325,737	1,330,400	-
	04	307,800	-	307,800		306,457	307,800	-
	05	461,700		461,700	191,957		191,957	269,743

RED CLAY CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF CONSTRUCTION PROJECTS EXAMINED
FISCAL YEAR ENDED JUNE 30, 2005

Project Name	Funding Year	Original Funding Amount	De-Authorization Funding	Total Project Funding Life to Date	Expended Current FY	Expended Prior FY	Total Project Expenditures Life to Date	Total Unspent Fund Balance June 30, 2005
Skyline Middle Renovations	99	1,191,800	-	1,191,800	-	1,191,800	1,191,800	-
	00	1,191,800	-	1,191,800	-	1,191,800	1,191,800	-
	04	268,200	-	268,200	1,038	267,162	268,200	-
Telegraph Road Renovations	99	741,700	(10,000)	731,700	-	731,700	731,700	-
	00	741,500	-	741,500	14,611	725,120	739,731	1,769
	04	135,800	-	135,800	633	135,167	135,800	-
Warner Elementary Renovations	99	378,700	-	378,700	-	378,700	378,700	-
	00	378,600	(417)	378,183	279	377,904	378,183	-
	04	7,945,000	-	7,945,000	1,128,389	567,417	1,695,806	6,249,194
Cab Calloway SOTA Wilmington Campus Renovations	99	1,985,300	-	1,985,300	-	1,985,300	1,985,300	-
	00	1,985,400	-	1,985,400	2,380	1,974,678	1,977,058	8,342
	04	850,700	-	850,700	4,206	846,494	850,700	-
Al DuPont HS Renovations	99	2,069,300	-	2,069,300	-	2,069,300	2,069,300	-
	00	2,069,400	-	2,069,400	2,638	2,066,762	2,069,400	-
	04	497,300	-	497,300	497	382,619	383,116	114,184
Richey Elementary Renovations	05	10,169,900	-	10,169,900	274,223	-	274,223	9,895,677
	99	109,200	-	109,200	-	109,200	109,200	-
	00	109,100	-	109,100	2,300	79,787	82,087	27,013
Lewis Elementary Roof Repair	04	4,995,300	-	4,995,300	2,828,298	338,771	3,167,069	1,828,231
	99	147,500	-	147,500	-	147,500	147,500	-
	00	147,500	-	147,500	-	147,500	147,500	-
Brandywine Springs	04	143,200	-	143,200	714	142,486	143,200	-
	05	214,800	-	214,800	93,946	-	93,946	120,854
	04	17,800	-	17,800	14	17,786	17,800	-
New Hockessin Element Land Construction	03	2,575,000	-	2,575,000	486	1,889,120	1,889,606	685,394
	04	10,764,300	-	10,764,300	6,711,627	729,162	7,440,789	3,323,511
Stanton Middle Renovations	04	210,000	-	210,000	1,000	209,000	210,000	-
	05	315,000	-	315,000	183,190	-	183,190	131,810

RED CLAY CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF CONSTRUCTION PROJECTS EXAMINED
FISCAL YEAR ENDED JUNE 30, 2005

Project Name	Funding Year	Original Funding Amount	De-Authorization Funding	Total Project Funding Life to Date	Expended Current FY	Expended Prior FY	Total Project Expenditures Life to Date	Total Unspent Fund Balance June 30, 2005
Baltz Elementary Renovations	04	9,120,000	-	9,120,000	2,033,864	661,181	2,695,045	6,424,955
Mole Elementary Renovations	04	5,134,700	(138,982)	4,995,718	2,231,179	349,995	2,581,174	2,414,544
Heritage Elementary Renovations	04	160,200	-	160,200	559	159,641	160,200	-
HB DuPont Middle Renovations	04	305,200	-	305,200	1,568	303,632	305,200	-
Meadowwood ILC Renovations	04	88,000	-	88,000	368	87,632	88,000	-
AI DuPont Middle Renovations	04	131,300	-	131,300	689	130,611	131,300	-
		<u>\$ 150,304,000</u>	<u>\$ (11,753)</u>	<u>\$ 150,292,247</u>	<u># \$ 25,172,690</u>	<u>\$ 43,375,751</u>	<u># \$ 68,548,441</u>	<u>\$ 81,743,806</u>

See Accountant's Report.